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EXECUTIVE SUMMARY

The Washington State Consolidated Plan is a five-year planning document required by the U.S. Department of Housing and Urban Development (HUD) to be submitted by all jurisdictions that directly receive HUD formula funds. The Department of Community, Trade and Economic Development (CTED) is the state agency responsible for developing the 2005-2009 Consolidated Plan.

Purpose

The Consolidated Plan determines priorities, establishes strategic goals, and allocates resources for the HUD funded programs administered by the state, namely: the HOME Partnership Investments (HOME), Emergency Shelter Grants (ESG), Housing Opportunities for Persons With Aids (HOPWA), and state Community Development Block Grant (CDBG) Programs.

Parts of the Consolidated Plan

The required elements of the state's Consolidated Plan include:

- An assessment of affordable housing, the needs of the homeless, and community development needs in the state;
- An analysis of the state's housing markets;
- A discussion of the state's prioritized needs, goals, strategies and initiatives for affordable housing and community development activities; and
- An action plan describing the state's method for distributing 2005 HUD funds to carry out activities in support of the state's strategic plan.

Needs Assessment

The Washington State consolidated planning process draws from a wide variety of sources. The assessment is based on an analysis of demographic, economic, housing stock and funding trends for the state. Federal, state, tribal and non-profit organizations were consulted on priority housing and community development needs through surveys, community meetings and conferences.

Housing Market Analysis

The analysis of the state's housing markets is based on data from the Washington Center for Real Estate Research at Washington State University, CTED's current inventory of affordable housing and other resources.

Strategic Plan

The Consolidated Plan's Strategic Plan is built from the framework established by CTED's 2005-2011 Strategic Plan. The four key goals from CTED's Strategic Plan are maintained as the key goals for the Consolidated Plan. The Consolidated Plan's Strategic Plan is also coordinated with the state's Affordable Housing Advisory Board (AHAB) five-year plan. By coordinating and integrating these strategic planning efforts, wherever feasible, CTED minimizes duplication, provides clarity regarding roles and responsibilities, and helps ensure that future actions complement and enhance each other as CTED and AHAB move forward to achieve the stated goals, objectives and strategies.

The Consolidated Plan's strategies are the result of an assessment of housing, community and economic development needs across the state, the review of available resources and the effort to be responsive to local priorities.

CTED Mission

CTED invests in Washington's communities, businesses and families to build a healthy and prosperous future.

CTED Key Goals

1. Grow a diversified and sustainable economy
2. Advance the health, safety and social well-being of families and communities.
3. Protect and enhance Washington's cultural and natural heritage.
4. Be a results-oriented, world-class agency whose leadership and vision are valued by its customers.

The first three goals identify how CTED will accomplish its mission through the state. The fourth goal relates to CTED's organizational strategy. CTED consists of six divisions, of which three are directly involved in administering CTED's HUD funded programs: Economic Development Division, Housing Services Division, and Local Government Division.

HUD Statutory Program Goals

CTED's goals are consistent with and support the HUD goals identified in Title 1 of the Housing and Community Development Act of 1974 (as amended):

1. Decent housing
2. A suitable living environment
3. Expanded economic opportunity

Strategic Planning Process

With the key goals and objectives established by CTED's agency-wide strategic planning process, additional objectives and strategies in support of these goals were then developed to establish the Consolidated Plan's Strategic Plan. The Strategic Plan was developed after an assessment of data and public input on housing and community development needs and priorities.

2005 Action Plan

The 2005 Action Plan describes the state's method for distributing each of the four HUD formula programs administered by CTED, namely: the HOME Partnership Investments (HOME), Emergency Shelter Grants (ESG), Housing Opportunities for Persons With Aids (HOPWA), and state Community Development Block Grant (CDBG) Programs. The Action Plan lists the major federal and state housing resources that CTED anticipates receiving in 2005, including program income. It then describes how CTED will distribute these funds to carry out activities in support of the state's strategic plan.

Summary of Changes

Within the Action Plan is a summary of the significant changes that CTED is proposing to make from its 2004 Action Plan. Briefly, these changes include:

- The development of performance measures
- An increase of HOME resources for Tenant Based Rental Assistance
- The addition of HOME resources for the Manufactured Housing Homeowner Assistance (MHHA) Program
- Implementing the American Dream Downpayment Initiative (ADDI) Program
- Establishing a maximum grant limit for the CDBG Community Investment Fund

- Reallocating CDBG Public Service Grants among eligible counties and community action agencies
- Clarifying the relationship between CDBG funds
- Updating the Citizen Participation Plan

Affordable Housing: An Overview

Washington State's population more than doubled between 1960 and 2004, currently standing at 6,167,800. The state's booming economy of the 1990s fueled high levels of in-migration that in turn required steady increases in housing stock to keep pace with demand. Today, Washington state continues to grow, but at a much slower rate, reflecting the state's weak economy. The state forecast shows annual population growth slowly increasing from the current level of 69,500 to about 86,000 by 2010 for a projected annual growth rate of 1.3 percent.

Washington's homeownership rate is below the national average. Two major problems facing homebuyers in Washington are: 1) The high cost of housing that places homeownership out of reach for many homebuyers, especially first-time homebuyers; 2) Significant barriers that prevent minority households from purchasing homes. In 2002, the homeownership rate for minorities was only 49.4 percent, well below the state average of 67 percent.

The number of households earning 0 to 80 percent of median family income, who were extremely cost burdened, jumped 51 percent from 163,209 in 1990 to 246,330 in 2000. Cost burden is the fraction of a household's total gross income spent on housing costs. Extreme cost burden means a household paid more than 50 percent of its gross income on housing costs. Of the 246,330 households who are extremely cost burdened, 58 percent of them are households who earn less than \$13,733 a year (less than 30 percent of median family income). These renters and owners are at extreme risk of becoming homeless. A missed paycheck, a health crisis or an unpaid bill can push these extremely poor families over the edge into homelessness.

Key Findings

- Homeownership rates in the state increased to 65.9 percent, however, it is still below the national average of 68.3 percent.
- The ability to purchase a home is declining, driven by the declining ability of first time homebuyers to purchase median priced housing in the state's western urban centers.
- The Washington Center for Real Estate Research at Washington State University found a total of 46,275 one-bedroom and 39,168 two-bedroom apartment units that were affordable for very low-income households (those earning less than 50 percent of median income). While this may seem like a large number, the 2000 Census counted 486,050 very low-income households in the state. The supply of affordable rental units for very low-income families is very limited.
- The situation is even worse for extremely low-income households. Only 543 affordable units were found to be affordable to extremely low-income households (those earning less than 30 percent of median income). Only eight out of the 23 counties surveyed had any affordable units for families in this income category.
- There is no county in the state where an extremely low-income single individual or family of four has enough income to pay the fair market rent for housing, without being cost burdened. These households would spend anywhere from 32 to 58 percent of their income for housing.

- African-American, Asian American, Pacific Islander and Hispanic groups experienced a disproportionate need (high cost burden) among all, but the lowest, income groups for owner and renter households.

2005-2009 Key Strategies

- Invest HOME resources strategically, balancing the needs of the existing portfolio with funding requirements of new projects based on market conditions and needs with an overall priority of serving very low-income renter and homeowner households earning 50 percent of median family income or less.
- Reduce the housing cost burden on extremely low-income, very low-income and special needs households by directing HOME resources to activities that provide housing subsidies.
- Create and maintain a homebuyer program that provides homeownership opportunities for households at 80 percent of median family income or below, with priority for disabled households at 50 percent of median or below.
- Establish goals for assisting minority homebuyers to become homeowners and track progress on a consistent basis.

Homelessness: An Overview

There is an upward trend in the number of people facing homelessness in Washington State. There is also an increase in the number of incidents where families and individuals are turned away from shelters. Since 1985, substantial state and federal funds have been appropriated to alleviate homelessness in our state and nationally; nevertheless, it remains a pervasive and persistent issue. A lack of affordable housing, the limited scale of housing with supportive services and stagnant or falling incomes are primary causes of homelessness. Extremely low-income households do not have enough money to pay for rising housing costs as well as other basic costs of living. People with disabilities including people with chronic mental illness and people suffering from drug and alcohol abuse are frequently not able to access income and supportive services that should be available to them (SSI, GAU) and the income they receive is so little that it does not cover the costs of housing. There are homeless families and individuals in every county of the state. It is preventable and “curable” with adequate and smart investment of resources into housing and human services.

Key Findings

- In 2003, 51,380 individuals in 35,943 households were provided emergency shelter in Washington State through state-supported emergency shelters (about 75 percent of all shelters). This is a 9 percent increase from 2002, indicating an upward trend in the number of people facing homelessness in our state. Shelter stays averaged 23 days. Fifty percent of the individuals served were in families with children.
- Although requests for shelter are duplicated when people try several shelters over a period of days, turnaways are an indicator of shelter demand. There were 78,027 unfilled shelter requests in SFY 2003, which is an increase over the 66,473 turnaways in 2001.
- The federal government is not adding resources to adequately address this crisis in housing. In fact, the administration is proposing reductions in the federal housing budget that have the potential of increasing homelessness. For example, the administration has already made changes to the Section 8 rental assistance program which has reduced the number of household that can be assisted. There are increased reductions in the proposed 2005 federal budget.

2005-2009 Key Strategies

- Increase the opportunities available to people who are homeless to achieve stable, affordable housing.
- Direct resources to activities to prevent homelessness and enable people who are already homeless to quickly access housing and services so they can transition to affordable permanent housing.
- Target HOME rental development resources to transitional housing projects serving people who are homeless or who have special needs.
- Establish a preference category for people who are homeless in the HOME tenant based rental assistance program.

Non-Housing Community Development Needs: An Overview

Based on HUD guidelines, non-housing community development needs include community facility projects, public service needs, infrastructure projects, economic development needs and planning. The state Community Development Block Grant (CDBG) Program and its related loan programs are the HUD funds administered by CTED to address these non-housing community development and economic development needs. The CDBG Program is administered within CTED's Local Government Division and the related loan programs are largely administered by CTED's Economic Development Division.

Eligible cities and town for state CDBG funds are those with less than 50,000 populations or counties with less than 200,000 populations, provided the cities, towns and counties do not participate as members of HUD Urban County Consortiums. HUD defines these smaller local governments as CDBG non-entitlement jurisdictions. The entitlement jurisdictions comprised of the larger local governments and consortiums receive CDBG funds directly from HUD, rather than through the state CDBG Program.

Because state CDBG funds are awarded to local governments, local prioritization of community development needs is key to the use of state CDBG funds. CTED reviews both a wide variety of both statewide data and information on the local prioritization of needs to determine how to allocate its CDBG funds to meet HUD national objectives and program goals, in response to the needs of non-entitlement communities. CTED also encourages the local prioritization of needs, especially the needs of low- and moderate-income persons, through its technical assistance and planning resources available to communities.

Key Findings

Local governments reported need for assistance in the areas of economic development, infrastructure financing, public services, community facilities and technical assistance. The community development needs assessment summarizes information from several sources. Key findings from the needs assessment include:

- Preliminary results from the Association of Washington Cities (AWC) *State of the Cities Survey* found the majority of the non-metro and small areas of the state responded that the conditions that were the greatest problems were: Overall economic conditions of the community, unemployment, drugs/alcohol abuse, impacts of unfounded mandates, overall city budget condition, and sales tax base. These communities also indicated that sewer system improvements were the greatest infrastructure replacement and new capacity need.
- The recent *Socio-Economic Vitality Index* shows that Grays Harbor County received the Low Vitality score and the majority (18) of other CDBG non-entitlement counties received a Medium-Low Vitality

score. Seven (7) CDBG non-entitlement counties received a Medium-High Vitality score, while six (6) non-entitlement counties received a Medium-High Vitality score.

- According to the *Local Government Infrastructure Study*, the need for infrastructure improvements far exceeds the current availability of local, state and federal resources. Of the infrastructure needs listed in local Capital Facility Plans by just over half of the state CDBG eligible jurisdictions and reported through the *Local Government Infrastructure Tracking System*, over \$18 million in state CDBG General Purpose Grants is reported to be needed in 2005.
- Infrastructure projects were the most frequently prioritized projects through the Washington Community Economic Revitalization Team (WACERT) process.
- Employment opportunity and affordable housing were the highest priorities identified by community action agencies in the non-entitlement counties of the state.
- A strong interest in building economic bases with higher wage jobs, particularly in more rural areas, has led to an emphasis on assisting businesses with micro-lending, as well as more traditional economic development lending to attract new employers.
- A review of CDBG funding by project type shows that the most frequently sought, and generally most expensive, projects proposed for funding by local governments are water and sewer projects to address priority public health and safety issues.
- A review of state CDBG funding for Washington State compared to other state CDBG Programs found both similarity and differences in the types of projects funded, with the highest percentage of funds both in Washington State and nationally going towards public facilities.

2005-2009 Key Strategies

Proposed goals, objectives, strategies and performance measures are contained in the Strategic Plan section of this Consolidated Plan. Strategies were initially developed through CTED's planning process for its 2005-2011 Strategic Plan, reviewed with internal and external stakeholders, and revised based on input received.

- Enhance the capacity of communities to successfully plan, fund and complete priority capital projects with planning grants, technical assistance and funding for capital projects.
- Provide technical assistance to identify sources of funds for non-profit lending partners and local revolving loan funds to expand their lending capacity to counties currently underserved.
- Provide flexible grant and technical assistance using methods of distribution that ensure funds are available to respond to the wide variety of emerging community development needs as prioritized by local governments.
- Provide grant assistance through eligible local governments to support their partnerships with agencies/organizations that provide essential and locally prioritized public services.
- Allow maximum CDBG grants for projects that address public health and safety issues or provide necessary gap financing, and that adequately justify the need for the maximum amounts, while maintaining the ability to award amounts less than originally requested.

Other Parts of the Consolidated Plan

CTED's draft 2005-2009 Consolidated Plan also includes a section on its Monitoring Standards and Procedures and its Citizen Participation Plan. The Appendices includes tables on housing data and other general information.

Comments

The final version will include a summary of comments received during the public hearings and comment period, and CTED's response to these comments. The comment period is from September 29, 2004 until 5 p.m. on November 1, 2004. Written comments will be accepted through November 1, 2004 by CTED, attention Suzanne Klenk, 128-10th Avenue Southwest, Olympia, Washington 98504-2525 or by e-mail to suzannek@cted.wa.gov. Comments received will be responded to within the final 2005-2009 Consolidated Plan.

Final Version

Finally, the Consolidated Plan will be submitted to HUD by November 15, 2004 will include the HUD required signed certifications and federal application for assistance forms for each of the four HUD formula programs administered by CTED. HUD has until the beginning of the program year on January 1, 2005, to comment on the Consolidated Plan. Once the Consolidated Plan is approved by HUD, an official version will be available on the CTED website at www.cted.wa.gov or upon request.